

BAM

BUILD AMERICA MUTUAL

Quarterly Operating Supplement
March 31, 2019

Build America Mutual Assurance Company

Quarterly Operating Supplement

March 31, 2019

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

The information contained in this report may contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or referenced in this report which address activities, events or developments which Build America Mutual Assurance Company ("Build America" or "BAM") expects or anticipates will or may occur in the future are forward-looking statements. The words "will," "believe," "intend," "expect," "anticipate," "project," "estimate," "predict" and similar expressions are also intended to identify forward looking statements. These forward looking statements include, among others, statements with respect to Build America's:

- changes in U.S. statutory basis surplus or claims paying resources;
- business strategy;
- financial and operating targets or plans;
- incurred losses and the adequacy of its loss and loss adjustment expense reserves and related reinsurance;
- projections of revenues, income (or loss), earnings (or loss), dividends, market share or other financial forecasts;
- expansion and growth of its business and operations; and
- future capital expenditures.

These statements are based on certain assumptions and analyses made by Build America in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate in the circumstances. However, whether actual results and developments will conform with its expectations and predictions is subject to a number of risks and uncertainties that could cause actual results to differ materially from expectations, including:

- claims arising from catastrophic events, such as hurricanes, earthquakes, floods or terrorist attacks;
- the continued availability of capital and financing;
- general economic, market or business conditions;
- business opportunities (or lack thereof) that may be presented to it and pursued;
- competitive forces, including the conduct of other property and casualty insurers and reinsurers;
- changes in domestic or foreign laws or regulations, or their interpretation, applicable to Build America, its competitors or its clients;
- an economic downturn or other economic conditions adversely affecting its financial position;
- recorded loss reserves subsequently proving to have been inadequate;
- actions taken by ratings agencies from time to time, such as financial strength or credit ratings downgrades or placing ratings on negative watch; and
- other factors, most of which are beyond Build America's control.

Consequently, all of the forward looking statements made in this report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Build America will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on Build America or its business or operations. Build America assumes no obligation to update publicly any such forward looking statements, whether as a result of new information, future events or otherwise.

Build America Mutual Assurance Company

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Company Profile

Build America Mutual Assurance Company (“Build America” or the “Company”) is a New York domiciled mutual financial guaranty insurance company. The Company was capitalized on July 17, 2012 and received its license to write financial guaranty insurance from the New York State Department of Financial Services (the “Department”) and commenced operations on July 20, 2012. Build America is also licensed in the District of Columbia and the remaining 49 states. Build America’s financial strength and counterparty credit ratings of ‘AA/Stable Outlook’, from Standard & Poor’s Ratings Services, were reaffirmed on June 25, 2018. Build America is not licensed to write financial guaranty insurance in Puerto Rico or any other territory or possession of the United States and it has no exposure to debt issued in Puerto Rico or any other territory or possession of the United States.

The first mutual bond insurance company, Build America is owned by and operated for the benefit of the cities, states and other municipal agencies—the municipal issuers—that use the Company’s ‘AA/Stable Outlook’ rated financial guaranty to lower their cost of funding in the U.S. municipal market.

Build America's first-loss reinsurance protection is provided by HG Re, Ltd. (“HG Re”) via a reinsurance treaty, whereby HG Re assumes losses in an amount up to 15% of the par outstanding for each insurance policy. HG Re’s obligations under the Reinsurance Agreement are secured by, and limited to the value of the assets held in trusts, which include a beneficial interest in the Series 2018 Surplus Notes as well as other high quality assets, which are pledged for the benefit of Build America.

In addition to the first-loss protection provided by HG Re, BAM is party to a collateralized excess of loss reinsurance agreement provided by Fidus Re, Ltd. (“Fidus”), a Bermuda based special purpose insurer created solely to provide reinsurance protection to BAM. Fidus was capitalized by the issuance of \$100,000,000 of insurance linked securities. Fidus provides prospective reinsurance for 90% of aggregate losses exceeding \$165,000,000 on a portion of BAM’s financial guarantee portfolio up to a total reimbursement of \$100,000,000.

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Statutory Statements of Assets, Liabilities and Capital and Surplus

(in millions)	As of	As of
	March 31, 2019	December 31, 2018
ADMITTED ASSETS		
Bonds	\$ 473.5	\$ 477.7
Cash, Cash Equivalents and Short-term Investments	29.8	44.9
Total Cash and Invested Assets	\$ 503.3	\$ 522.6
Investment Income Due and Accrued	3.9	3.5
Receivable for securities sold	6.0	-
Other Assets	0.7	0.2
Total Admitted Assets	<u>\$ 513.9</u>	<u>\$ 526.3</u>
LIABILITIES		
Unearned Premiums	\$ 36.9	\$ 36.2
Mandatory Contingency Reserve	54.1	50.3
Payable for Securities Purchased	-	2.2
Accrued and Payable Expenses	14.0	23.9
Total Liabilities	<u>\$ 105.0</u>	<u>\$ 112.6</u>
CAPITAL AND SURPLUS		
Surplus Notes	\$ 481.3	\$ 481.3
Member Surplus Contributions	199.7	191.8
Unassigned Funds - Deficit	(272.1)	(259.4)
Total Capital and Surplus	<u>\$ 408.9</u>	<u>\$ 413.7</u>
Total Liabilities, Capital and Surplus	<u>\$ 513.9</u>	<u>\$ 526.3</u>

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Statutory Statement of Operations

(in millions)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Gross premiums written	\$ 7.7	\$ 5.7
Ceded premiums written	(6.6)	(4.9)
Net premiums written	1.1	0.8
Premiums earned, net	\$ 0.4	\$ 0.3
Underwriting deductions:		
Operating expenses	\$ 14.1	\$ 13.0
Excise & premium taxes	0.3	0.1
Ceding commission income	(2.0)	(1.5)
Total underwriting expenses	\$ 12.4	\$ 11.6
Net underwriting gain (loss)	(12.0)	(11.3)
Net investment income	\$ 2.7	\$ 2.5
Net realized capital gains (losses)	-	-
Net investment gain	\$ 2.7	\$ 2.5
Net (loss) before federal income tax expense	(9.3)	(8.8)
Federal income tax expense incurred	-	-
Net (loss)	\$ (9.3)	\$ (8.8)

Statutory Comprehensive Income⁽¹⁾

(in millions)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net (loss)	\$ (9.3)	\$ (8.8)
Member surplus contributions collected, net of income taxes	7.9	4.9
Statutory comprehensive income (loss) ⁽¹⁾	\$ (1.4)	\$ (3.9)

⁽¹⁾ In addition to reporting BAM's financial results in accordance with the U.S. Statutory basis of accounting ("Statutory"), BAM reports Statutory Comprehensive Income, a non-Statutory financial measure. A non-Statutory financial measure of financial performance or financial position that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with the U.S. Statutory basis of accounting. We are presenting this non-Statutory financial measure because it provides greater transparency and enhanced visibility into the underlying drivers of our business. Statutory Comprehensive Income is not a substitute for BAM's U.S. Statutory basis of accounting, should not be viewed in isolation and may differ from similar reporting provided by other companies, which may define non-Statutory financial measures differently.

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Claims Paying Resources and Leverage Statistics

(in millions)	As of March 31, 2019	As of December 31, 2018
Member Surplus Contributions	\$ 199.7	\$ 191.8
Surplus Notes	481.3	481.3
Unassigned Funds ⁽¹⁾	(272.1)	(259.4)
Policyholders' Surplus	\$ 408.9	\$ 413.7
Contingency Reserve	54.1	50.3
Qualified Statutory Capital	\$ 463.0	\$ 464.0
HG Re, Ltd Collateral Trusts ⁽²⁾	264.8	258.3
Fidus Re, Ltd Collateral Trust	100.0	100.0
Total Hard Capital	\$ 827.8	\$ 822.3
Unearned Premiums, Net of Reinsurance	36.9	36.2
Loss and Loss Adjustment Expense Reserves	-	-
Present Value of Installment Gross Risk Premiums and Member Surplus Contributions ⁽³⁾	13.3	12.9
Claims Paying Resources	\$ 878.0	\$ 871.4
 <u>Gross Par Outstanding</u>		
Investment Grade ⁽⁴⁾	\$ 53,715.2	\$ 52,201.6
Below Investment Grade ("BIG") ⁽⁴⁾	-	-
Total	\$ 53,715.2	\$ 52,201.6

Leverage Statistics

Total Gross Par Outstanding ÷ Total Hard Capital	64.9x	63.5x
BIG Gross Par Outstanding ÷ Total Hard Capital	-	-
 Total Gross Par Outstanding ÷ Total Claims Paying Resources	61.2x	59.9x
BIG Gross Par Outstanding ÷ Total Claims Paying Resources	-	-

⁽¹⁾ Represents the sum of inception to date Statutory Net Income (Loss) and direct charges relating to contributions to the Contingency Reserve and for the non-admission of certain assets.

⁽²⁾ See details of investments held in First Loss Reinsurance Collateral Trusts on page 14.

⁽³⁾ Represents the present value of future installment risk premiums, gross of reinsurance, and member surplus contributions, discounted at a risk-free rate.

⁽⁴⁾ Based on internal BAM ratings, which are provided in this Operating Supplement solely to indicate the underlying credit quality of guaranteed obligations, without the benefit of financial guaranty insurance, based on the view of BAM. BAM credit ratings are subject to revision at any time and do not constitute investment advice.

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Business Production

(in millions)

Gross Par Written

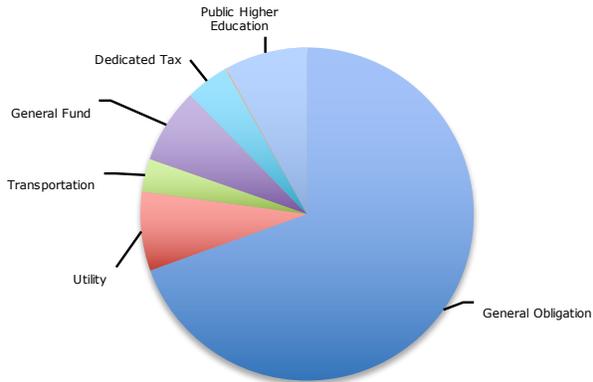
U.S. Public Finance

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
General Obligation	\$ 1,338.0	\$ 640.4
Public Higher Education	155.2	98.8
Utility	147.6	104.2
General Fund	139.9	130.2
Dedicated Tax	81.0	310.9
Transportation	61.7	13.6
Other Public Finance	2.0	-
Total Gross Par Written	\$ 1,925.4	\$ 1,298.1

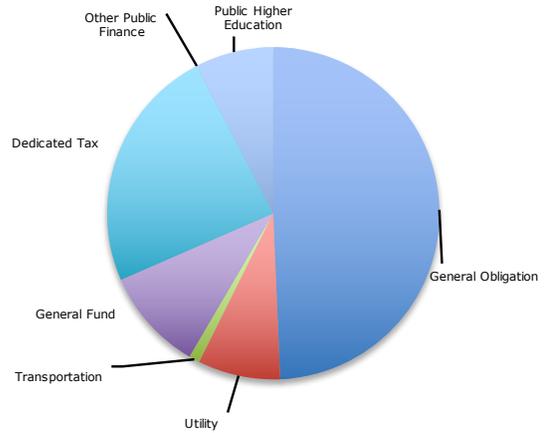
**Gross Risk Premiums Written and Member
 Surplus Contributions Collected**

Gross Risk Premiums Written	\$ 7.7	\$ 5.7
Member Surplus Contributions Collected	7.9	4.9
Total Gross Risk Premiums and Member Surplus Contributions Collected	\$ 15.6	\$ 10.6

**Gross Par Written
 For the Three Months Ended March 31, 2019**



**Gross Par Written
 For the Twelve Months Ended March 31, 2018**

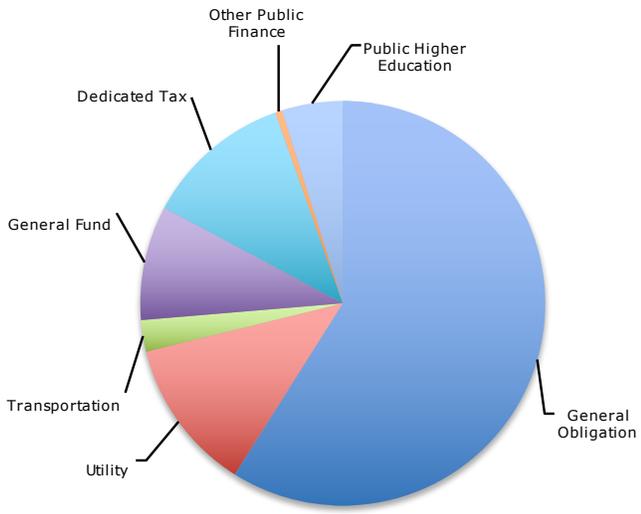


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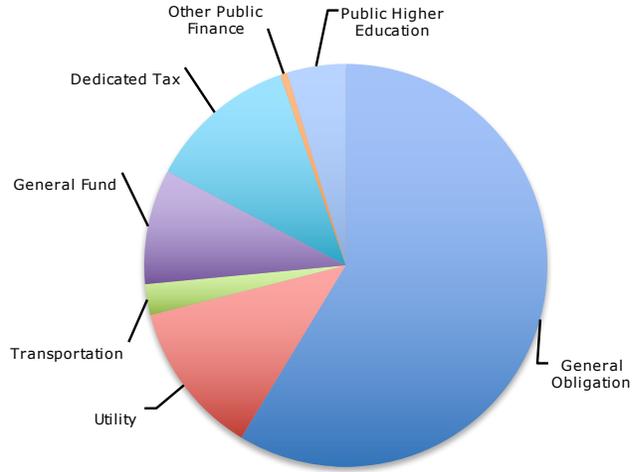
Gross Par Outstanding by Sector

(in millions)	As of March 31, 2019	As of December 31, 2018
U.S. Public Finance		
General Obligation	\$ 31,670.1	\$ 30,626.8
Utility	6,550.2	6,451.1
Dedicated Tax	6,314.0	6,263.8
General Fund	4,918.6	4,812.5
Public Higher Education	2,606.0	2,452.7
Transportation	1,353.2	1,293.6
Other Public Finance	303.1	301.1
Total Gross Par Outstanding	\$ 53,715.2	\$ 52,201.6

**Gross Par Outstanding
As of March 31, 2019**



**Gross Par Outstanding
As of December 31, 2018**



Build America Mutual Assurance Company

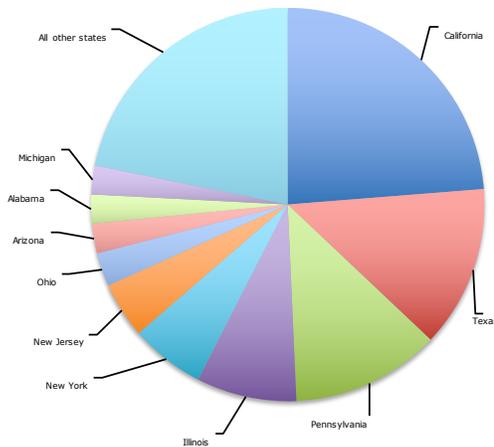
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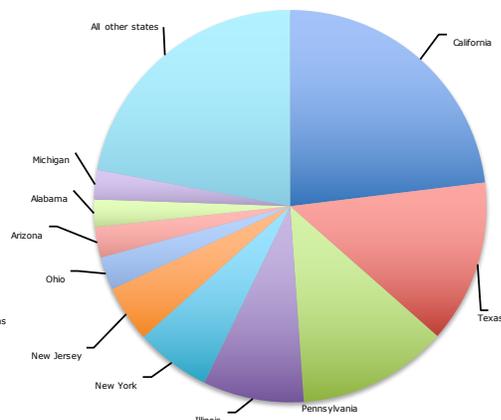
Gross Par Outstanding by State

(in millions)	As of March 31, 2019	% of Total	As of December 31, 2018	% of Total
California	\$ 12,753.2	23.8%	\$ 12,044.6	23.1%
Texas	7,158.4	13.3%	7,015.4	13.4%
Pennsylvania	6,564.4	12.2%	6,460.1	12.4%
Illinois	4,425.8	8.3%	4,342.0	8.3%
New York	3,294.2	6.1%	3,234.9	6.2%
New Jersey	2,463.4	4.6%	2,429.1	4.7%
Ohio	1,480.0	2.8%	1,420.8	2.7%
Arizona	1,307.7	2.4%	1,314.2	2.5%
Alabama	1,279.6	2.4%	1,180.9	2.3%
Michigan	1,277.6	2.4%	1,261.8	2.4%
Louisiana	1,195.5	2.2%	1,208.5	2.3%
Florida	1,146.7	2.1%	1,145.0	2.2%
Connecticut	1,039.2	1.9%	921.8	1.8%
Indiana	899.9	1.7%	921.9	1.8%
Kansas	768.9	1.4%	716.7	1.4%
Arkansas	683.1	1.3%	675.3	1.3%
Colorado	670.5	1.2%	642.5	1.2%
Kentucky	535.5	1.0%	521.3	1.0%
South Carolina	494.2	0.9%	496.2	1.0%
Iowa	489.0	0.9%	489.0	0.9%
Wisconsin	484.8	0.9%	485.0	0.9%
Mississippi	435.5	0.8%	417.2	0.8%
Washington	362.1	0.7%	361.0	0.7%
Massachusetts	294.9	0.5%	283.1	0.5%
Tennessee	268.0	0.5%	262.8	0.5%
Missouri	227.1	0.4%	232.1	0.4%
Oklahoma	221.3	0.4%	221.3	0.4%
Georgia	195.6	0.4%	197.2	0.4%
New Mexico	194.5	0.4%	191.7	0.4%
West Virginia	178.4	0.3%	178.5	0.3%
Nevada	143.5	0.3%	143.6	0.3%
Oregon	125.1	0.2%	126.3	0.2%
Utah	111.5	0.2%	111.0	0.2%
Maryland	98.0	0.2%	98.0	0.2%
Wyoming	88.2	0.2%	89.7	0.2%
Minnesota	78.1	0.1%	79.0	0.2%
Rhode Island	73.6	0.1%	73.4	0.1%
North Carolina	44.7	0.1%	45.2	0.1%
Nebraska	28.2	0.1%	28.2	0.1%
Vermont	28.0	0.1%	28.0	0.1%
North Dakota	22.6	0.1%	22.6	0.0%
Idaho	19.4	0.1%	19.4	0.0%
Hawaii	18.6	0.0%	18.6	0.0%
Maine	16.9	0.0%	16.9	0.0%
Virginia	16.8	0.0%	16.8	0.0%
South Dakota	13.0	0.0%	13.0	0.0%
Total Gross Par Outstanding	\$ 53,715.2	100%	\$ 52,201.6	100%

Gross Par Outstanding by State
As of March 31, 2019



Gross Par Outstanding by State
As of December 31, 2018

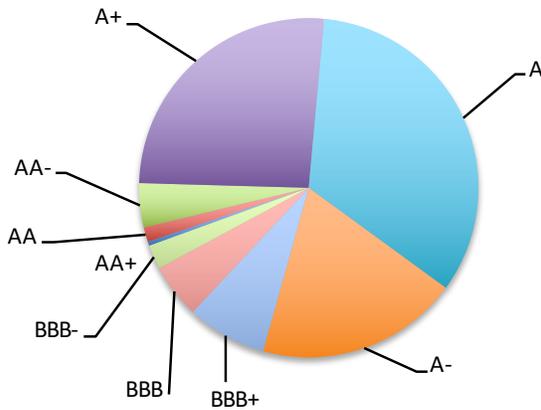


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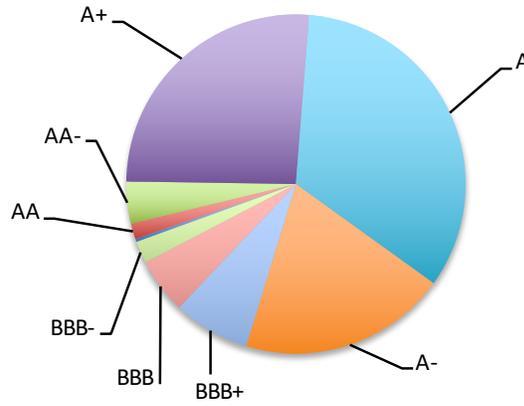
Rating Distribution of Gross Par Outstanding⁽¹⁾

(in millions)	<u>Percentage of Gross Par Outstanding as of March 31, 2019</u>	<u>Percentage of Gross Par Outstanding as of December 31, 2018</u>
AA+	0.4%	0.3%
AA	1.4%	1.5%
AA-	4.2%	4.0%
A+	26.0%	26.0%
A	33.6%	33.7%
A-	19.3%	19.8%
BBB+	7.6%	7.3%
BBB	5.2%	5.3%
BBB-	2.3%	2.1%
BIG	- %	- %
Total Gross Par Outstanding	100.0%	100.0%
 Weighted Average Rating	 A	 A

Rating Distribution of Gross Par Outstanding⁽¹⁾ As of March 31, 2019



Rating Distribution of Gross Par Outstanding⁽¹⁾ As of December 31, 2018



⁽¹⁾ Based on internal BAM ratings, which are provided in this Operating Supplement solely to indicate the underlying credit quality of guaranteed obligations, without the benefit of financial guaranty insurance, based on the view of BAM. BAM credit ratings are subject to revision at any time and do not constitute investment advice.

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Contractual Amortization of Gross Par Outstanding⁽¹⁾

(in millions)	<u>Contractual Par Amortization</u>	<u>Ending Gross Par Outstanding</u>
As of March 31, 2019:		\$ 53,715.2
April 1, 2019 to December 31, 2019	\$ 1,754.6	51,960.6
Year 2020	2,260.1	49,700.4
Year 2021	2,431.7	47,268.7
Year 2022	2,487.9	44,780.8
Year 2023	2,590.6	42,190.2
Subtotal	<u>11,525.0</u>	
Years 2024 to 2028	13,136.6	29,053.6
Years 2029 to 2033	11,986.3	17,067.3
Years 2034 to 2038	9,126.2	7,941.2
Year 2039 and thereafter	7,941.2	-
Total	<u>\$ 53,715.2</u>	

⁽¹⁾ Depicts contractual amortization of existing guaranteed portfolio (principal only) and assumes no unscheduled, advance refundings.

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Top 25 U.S. Public Finance Exposures

(in millions)

Obligor	As of March 31, 2019			
	S&P Rating ⁽¹⁾⁽³⁾	Moody's Rating ⁽²⁾⁽³⁾	Gross Par Outstanding	% of Total Gross Par Outstanding
Municipal Authority of Westmoreland County, PA (Westmoreland County) Water	A+	A1	\$ 329.9	0.6%
Illinois, State of	BBB-	Baa3	329.8	0.6%
Shreveport, City of, LA (Caddo Parish), Water & Sewer	A-	A3	269.7	0.5%
New Jersey Transportation Trust Fund Authority, System & Program Bonds, NJ, Gas Tax - State	BBB+	Baa1	264.5	0.5%
Eastern Michigan University, MI (Lapeer County), Public Higher Education - Gross Revenue	NR	A2	258.1	0.5%
New Jersey, State Of	BBB+	Baa1	250.6	0.5%
Suffolk County, NY (Suffolk County)	A-	Baa1	246.7	0.5%
Hayward USD, CA (Alameda County)	A+	A3	231.3	0.4%
New Jersey Economic Development Authority (Motor Vehicle Surcharge)	BBB+	Baa2	227.7	0.4%
Chicago, City of, IL (Cook County)	BBB+	Ba1	222.9	0.4%
State of Louisiana	A+	A1	219.6	0.4%
Connecticut, State of	A	A1	214.5	0.4%
Natomas USD, CA (Sacramento County)	A	A1	208.9	0.4%
Illinois (State of) Build Illinois Bonds (Sales Tax Revenue Bonds)	BBB	Baa3	201.4	0.4%
Hamden, Town of, CT (New Haven County)	A	Baa2	201.0	0.4%
O'Hare Airport, IL (Cook County) GARB	A	NR	201.0	0.4%
Massachusetts, Commonwealth of	AA	Aa1	198.6	0.4%
Pennsylvania, Commonwealth of	A+	A1	197.8	0.4%
Kentucky, Commonwealth of	A-	A1	188.1	0.4%
Springdale, City of, AR (Washington County), Sales Tax - Local	A+	NR	187.1	0.3%
West Travis County Public Utility Agency, TX (Travis County), Water & Sewer	NR	A1	185.8	0.3%
Monroe County, NY (Monroe County)	A	A3	185.2	0.3%
Pennsylvania Higher Educational Facilities Authority, PA, Public Higher Education - Gross Revenue	NR	Aa3	181.1	0.3%
Arlington, City of, TX (Tarrant County), Sales Tax - Local	NR	A3	171.1	0.3%
Los Angeles USD, CA (Los Angeles County)	AA-	Aa2	170.1	0.3%
Total - Top 25 U.S. Public Finance Exposures			\$ 5,542.5	10.3%

⁽¹⁾ Represents the rating assigned by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") on the underlying obligation, excluding BAM's credit enhancement.

⁽²⁾ Represents the rating assigned by Moody's Investor Service, Inc. ("Moody's") on the underlying obligation, excluding BAM's credit enhancement.

⁽³⁾ For single risks with multiple obligations, the rating shown represents a weighted average of the ratings on the underlying obligations, excluding BAM's credit enhancement.

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Build America Mutual Assurance Company Fixed Income Investment Portfolio
 (in millions)

Investment Category	As of March 31, 2019		
	Fair Value	Amortized Cost	Book Yield ⁽¹⁾
Long-term Investments			
Municipal Obligations	\$ 285.4	\$ 279.7	3.23%
U.S. Agency Obligations	73.9	74.8	2.56%
U.S. Government Obligations	55.0	55.2	1.76%
Corporate Obligations	43.4	43.4	2.51%
Asset-backed Securities	20.5	20.4	2.83%
Subtotal Long-term Investments	\$ 478.2	\$ 473.5	2.87%
Short-term Investments and Cash Equivalents	24.0	24.0	2.37%
Total Fixed Income Investment Portfolio	\$ 502.2	\$ 497.5	2.85%

Rating Distribution of Fixed Income Investment Portfolio

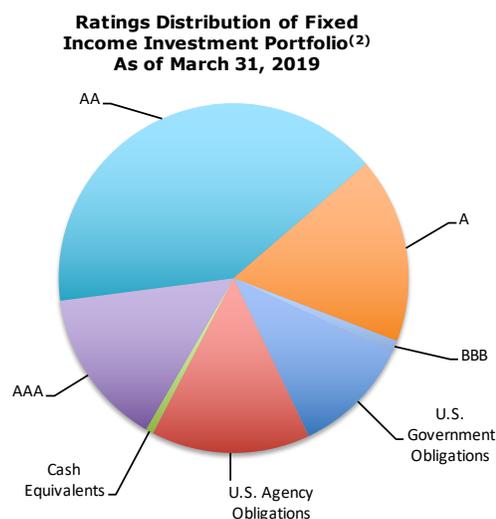
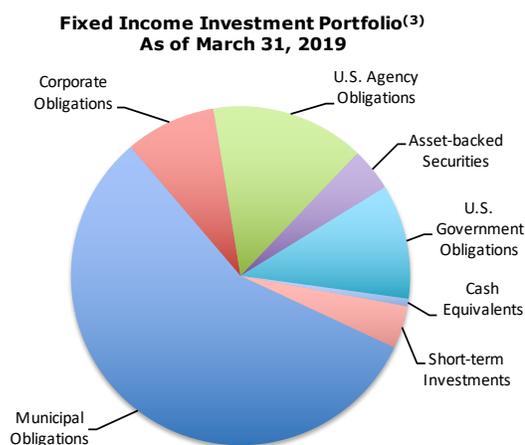
Rating ⁽²⁾	As of March 31, 2019	
	Fair Value	As a % of Investment Portfolio
U.S. Government Obligations	\$ 55.0	11.0%
U.S. Agency Obligations	73.9	14.7%
Cash Equivalents	3.6	0.7%
AAA	73.1	14.6%
AA	204.3	40.7%
A	86.6	17.2%
BBB	5.7	1.1%
Below Investment Grade	-	-
Not Rated	-	-
Total	\$ 502.2	100.0%

Weighted Average Rating

AA

Duration of Fixed Income Investment Portfolio

4.0 years



(1) Represents the yield to worst of invested assets at March 31, 2019.

(2) Ratings are based on the lower of Standard & Poor's or Moody's rating. Rating distribution is calculated based on fair value.

(3) Based on fair value.

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HG Re Ltd. Fixed Income Investment Portfolio
 (in millions)

Investment Category	As of March 31, 2019	
	Fair Value	Amortized Cost ⁽¹⁾
Long-term Investments		
U.S. Agency Obligations - MBS	\$ 54.6	\$ 54.2
U.S. Government Obligations	27.7	27.6
Corporate Obligations	178.7	176.7
Municipal Obligations	-	-
Asset-backed Securities	-	-
U.S. Agency Obligations - Non-MBS	-	-
Subtotal Long-term Investments	\$ 261.0	\$ 258.5
Cash Equivalents, net of payable for securities purchased	6.3	6.3
Total Fixed Income Investment Portfolio	\$ 267.3	\$ 264.8

Rating Distribution of Fixed Income Investment Portfolio

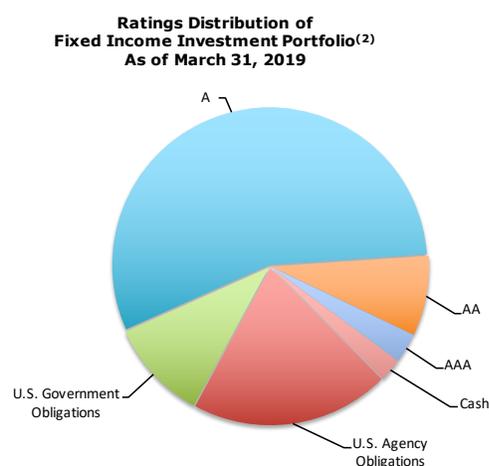
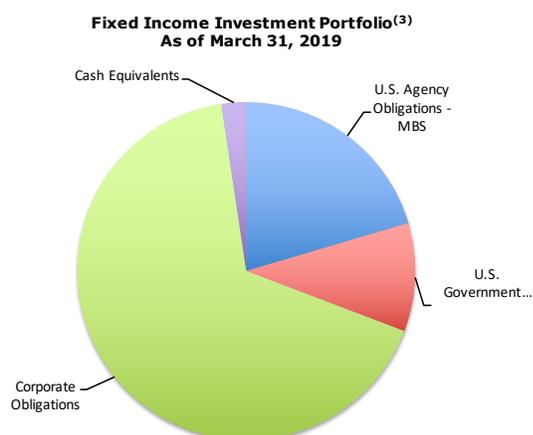
Rating ⁽²⁾	As of March 31, 2019	
	Fair Value	As a % of Investment Portfolio
U.S. Government Obligations	\$ 27.7	10.4%
U.S. Agency Obligations	54.6	20.4%
Cash Equivalents, net of payable for securities purchased	6.3	2.4%
AAA	8.1	3.0%
AA	21.9	8.2%
A	148.7	55.6%
BBB	-	-
Below Investment Grade	-	-
Not Rated	-	-
Total	\$ 267.3	100.0%

Weighted Average Rating

AA-

Duration of Fixed Income Investment Portfolio

3.65 years



(1) Amortized cost Includes the accrued investment income.

(2) Ratings are based on the lower of Standard & Poor's or Moody's rating. Rating distribution is calculated based on fair value.

(3) Based on fair value.

Build America Mutual Assurance Company

Quarterly Operating Supplement

March 31, 2019

Glossary

Contingency reserve – a mandatory reserve required by New York State Insurance Law and the insurance laws of the other states in which BAM is licensed. The mandatory contingency reserve is a liability established to protect policyholders against the effect of adverse economic developments or cycles or other unforeseen circumstances.

First loss reinsurance collateral trusts – trusts established by HG Re for the benefit of BAM, which are secured by high quality collateral and are available to fund reinsurance claims.

Gross par outstanding – amount of remaining future contractual bond principal insured by BAM.

Gross par written – the principal amount of obligations insured during the period, excluding the effect of the first loss reinsurance treaty with HG Re.

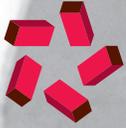
Gross risk premiums written – a fee charged by BAM to insure the contractual principal and interest of a bond.

Member surplus contribution – a fee charged by BAM for the bond issuer to become a member of BAM.

New issue – a bond for which a BAM insurance policy was purchased by the issuer prior to the bond's issuance. New issue bonds are issued and sold in the market with BAM insurance protection in place.

Secondary market – a bond that was initially issued in the market without a BAM insurance policy for which a BAM insurance policy was subsequently purchased by the owner of that bond.

Statutory comprehensive income – Statutory net income plus member surplus contributions collected during the period.



BAMSM

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